

GREEN TIER ADVISORS
ISSUE PAPER: Performance Indicators

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ISSUE TITLE: Green Tier Performance Indicators

ISSUE SUMMARY: The Green Tier statute requests the Department provide procedures for evaluating the Green Tier Program and the results of the Program. For evaluating the results of the Program, a set of environmental performance indicators will be used.

Currently we are using a generic suite of indicators (See Attachment B – Draft Green Tier Performance Indicators). We are working with our current participants to address the challenge of getting the information we need from companies to identify some uniform measure of success for Green Tier. To do this, we are contacting and/or meeting with current Green Tier participants to discuss the suite of Generic Indicators that accompanies their letters of acceptance into the program. Working one-on-one, we are encouraging them to work with us as partners in answering the question, "Is Green Tier effective?" We realize that each participant is not necessarily able to report on every indicator. The goal is to make sure each participant is thinking about these indicators specifically for their annual reports due next year.

The Department is requesting the Advisors make recommendations to the Secretary on performance indicators to assess the effectiveness of the Green Tier program at using an incentive-based market approach to promoting superior environmental performance.

There are two key questions to address:

1. Should we collect more than just environmental information?
2. What Indicators should be used?

There is a significant amount of information available about environmental indicators, as well as indicators designed for reporting corporate social responsibility (CSR). Historically, the WDNR has focused on environmental indicators that measure outputs, i.e. emissions.

The scope of performance indicators to be applied to Green Tier must be comprehensive enough to answer the following questions:

- Is the program actually producing superior environmental performance that contributes to the goal of protecting human health and the environment through its actions and strategies?
- Is the program changing the behaviors of the regulated and non-regulated business communities in ways that lead to improved environmental performance?
- Is the program changing the relationship between the DNR and the entity?

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Background:

In a marketplace that increasingly values corporate responsibility and environmental stewardship, Green Tier's newness provides additional dimensions for achieving superior environmental performance as defined in the law. Several of the definitions within the law require outcome-based measures, and others suggest measures of social responsibility, i.e. "Helping other entities to comply with environmental requirements or to accomplish the results described in subd. 1. or 2.", and "Organizing uncoordinated entities that produce environmental harm into a program that reduces that harm." §299.83(g) 4. and 5. (see Attachment A for relevant excerpts of the statute, including the list of nine ways that 'superior environmental performance' may be achieved).

Environmental Cooperation Pilot Program (ECPP) Experience

Green Tier builds on lessons learned in the Environmental Cooperation Pilot Program (ECPP) that created seven venues to demonstrate strategies and solutions for reducing waste at the source. We began with just five performance measures, but we hope to add additional measures (perhaps including energy and water use) to this analysis in the future. The following ECPP output-based indicators were measured:

- All Hazardous Air Pollutants
- Nitrogen Oxide
- Sulfur Dioxide
- Volatile Organic Compounds
- Hazardous Waste (generated)

The performance measures analyzed were selected because of their potential significance to public health and the environment, and because of their ubiquitous nature. In other words, we tried to select performance measures that are meaningful to the public and meaningful to very large numbers of regulated businesses.

An analysis of the measurable environmental impacts of each of the seven venues suggests that performance improvements among the ECPP companies are the result of a combination of pollution prevention activities and end-of-pipe pollution control devices. (For more details, please go to <http://dnr.wi.gov/org/caer/cea/ecpp/p2/index.htm>)

At a minimum, similar information needs to be collected for measuring Green Tier's effectiveness. Use of the same five core output measurements is problematic because unlike the ECPP, not all Green Tier participants are industrial businesses.

WDNR uses case-by-case performance indicators and standard performance indicators to assess the ECPP. Case-by-case performance indicators are established in the text of some of the agreements, and are established via the EMS in some other agreements. Each participant submits an annual performance evaluation to WDNR that includes relevant and useful information, but the content of these performance evaluations is unique to each participant.

FACT System

Standardized information for assessing the environmental performance of ECPP companies comes from the WDNR's Fact System. The Fact System creates "Environmental Profiles," i.e. annual summaries of the amounts of each substance reported by entities under the following regulatory programs:

- Hazardous waste manifests
- Hazardous waste annual reports
- Air emission inventories
- Wastewater discharge monitoring reports
- Toxics release inventories (TRI)

Although WDNR has not yet done this, the Fact System could easily be used to assess any of the following:

- Performance of *Green Tier* participants using the same indicators as above
- Additional types of performance *comparisons* (e.g., comparing a participating company to other companies in the same sector)
- Performance of ECPP or Green Tier companies based on *other indicators* that are routinely reported under the regulatory programs listed above (e.g., emissions of the greenhouse gas carbon dioxide).

In addition, the ESR and the Fact System could *potentially* be expanded to capture other performance information such as water and energy consumption, but there are significant barriers.

Social Responsibility indicators

The goals to improve the state's economy and quality of life while also improving environment is a departure from the traditional 'command and control' approach to environmental improvement, and suggests that Green Tier embodies values typically associated with those of companies working to achieve the "triple bottom line", a concept introduced in 1997 to include a company's financial performance, its environmental record, and its social efforts in treating workers, peoples and communities in a fair and equitable manner. This would argue that performance indicators should include more than just those indicators that address environmental performance. Given the probable array of categories of participants and the goals those participants identify to accomplish through Green Tier, it seems reasonable to consider using a suite of indicators that address an entity's interest in social responsibility. It's important to also understand that in addition to a standardized suite of environmental performance indicators, additional indicators may be established on a company-by-company basis to demonstrate superior environmental performance. Consideration should also be given to the value of using a suite of environmental performance indicators specific to particular sectors, i.e. agriculture.

About a year ago select staff from DNR staff and the Legislative Audit Bureau reviewed a set of performance indicators that included both standard environmental measures and social responsibility indicators. In discussing the social performance dimension, the feedback we got questioned whether gathering social and economic information is within the scope of what should be captured and considered by DNR.

There are significant challenges in quantifying and interpreting social indicators. First, there is the problem of obtaining information. A significant percentage of privately held companies, e.g. Bemis, Kohler, Serigraph, SC Johnson, typically do not share business information with any party external to the company. Related to this issue is the ability of the department to keep such information confidential and exempt from open records requirements. There has been some initial investigation of alternatives to the WDNR collecting information from Green Tier companies regarding their social and economic performance. One consideration is to find a third party to serve as our agent to solicit the information, be the repository for the information, and provide some basic analysis for us.

Second, is the question about which indicators would be most relevant? The following excerpts from March/April 2006 issue of "TRENDS" a section of the ABA newsletter, concisely summarize some of the problems:

Many companies have adopted, or are considering adopting; CSR programs to more formally incorporate sustainability and environmental concepts into their business models. The dilemma faced by corporate executives is not so much whether to address CSR, but which of the multitude of CSR guidelines, codes, standards and a framework to use in framing their company's program. The situation is further complicated because some of the existing CSR tools are normative frameworks that provide substantive guidance on what constitutes good performance (e.g. the UN's Global Compact Principles), while others are management systems or process guidelines that integrate CSR considerations and enable measurement and communication of performance, (e.g. the Global reporting Initiative's Sustainability Reporting Guidelines).

According to the article, an ISO Working Group on Social Responsibility has been formed to develop an international standard on social responsibility that is intended to encourage a formal commitment to social responsibility through internationally shared definitions and methods of evaluation.

Alternatives:

- Continue using a common set of metrics to be used by all participants.
- Continue using a combination of a common set of metrics and case-by-case or anecdotal indicators.
- Develop indicators that focus on the Areas of Emphasis.
- Develop CSR indicators.

- Develop environmental indicators that are specific to a particular sector, i.e. using charters with trades associations.

Discussion:

The intent of the discussion on April 12th is to discuss methods to assess if the Green Tier program is:

- contributing to the goal of protecting human health and the environment through its actions and strategies?
- changing the behaviors of the regulated and non-regulated business communities in ways that lead to improved environmental performance?

Discussion should address these questions:

1. Should we collect more than just environmental information?
2. What Indicators should be used?

Discussion Synopsis: [To be completed after the meeting]

Attachment A
Excerpts Ch 299.83, Wis Stats

- “Superior Environmental Performance” means environmental performance that results in measurable or discernable improvement in the quality of the air, water, land, or natural resources, or in the protection of the environment, beyond that which is achieved under environmental requirements and that may be achieved in ways that include all of the following:
 1. Limiting the discharges or emissions of pollutants from, or in some other way minimizing the negative effects on air, water, land, natural resources, or human health of, a facility that is owned or operated by an entity or an activity that is performed by the entity to an extent that is greater than is required by applicable environmental requirements.
 2. Minimizing the negative effects on air, water, land, natural resources, or human health of the raw materials used by an entity or of the products or services produced or provided by the entity to an extent that is greater than is required by applicable environmental requirements.
 3. Voluntarily engaging in restoring or preserving natural resources.
 4. Helping other entities to comply with environmental requirements or to accomplish the results described in subd. 1. or 2.
 5. Organizing uncoordinated entities that produce environmental harm into a program that reduces that harm.
 6. Reducing waste or the use or production of hazardous substances in the design, production, delivery, use, or reuse of goods or services.
 7. Conserving energy or nonrenewable natural resources.
 8. Reducing the use of renewable natural resources through increased efficiency.
 9. Adopting methods that reduce the depletion of, or long-term damage to, renewable natural resources.
- In administering the program the department shall attempt to:
 - (b) Promote environmental performance that voluntarily exceeds legal requirements related to health, safety, and the environment and that results in continuous improvement in this state’s environment, economy, and quality of life.*
 - (h) Report information concerning environmental performance and data concerning ambient environmental quality to the public in a manner that is accurate, timely, credible, relevant, and useable to interested persons.*
 - (i) Provide for the measurement of environmental performance in terms of accomplishing goals and require the reporting of the results.*
 - (j) Implement an evaluation system that provides flexibility and affords some protection for experimentation by participants that use innovative techniques to try to achieve superior environmental performance.*
 - (L) Provide for sustained business success as well as a reduction in environmental pollution.*

Attachment B

Draft Green Tier Performance Indicators

The following Environmental Indicators are proposed for all Green Tier participants. In addition to this Generic List, it is expected that other indicators/metrics will come out of the Environmental Management System and would be used to document accomplishments. This Generic List is useful for the DNR to document the relative success of the program.

Environmental Indicators

Some of the environmental indicators are already provided to the DNR. You would not be asked to report this information again if you have already reported it.

Water

Total water use

Total amount of phosphorous released into water

Total waste water produced

Air Emissions

Total greenhouse gas emissions

Total emissions of ozone-depleting substances

Total air emissions

Waste

Total solid waste produced

Total percentage of material ending up as waste

Amount/percentage of waste that is hazardous

Amount of mercury lost or released into the environment

Amount/percentage of waste recycled

Energy

Total energy used, listed by source

Amount/percentage of energy from renewable resources

Transportation

Total fuel consumption

Amount/percentage of vehicles using alternative fuels

Spills

Number of spills

Total amount of hazardous substances released due to spills

Land Use

Total amount of land owned and percentage that is permeable (not paved or covered)

TRI

Total TRI emissions

1. International Network for Environmental Compliance and Enforcement (INECE) is dealing on the international scale to advance increased use of outcome-focused performance measures for compliance and enforcement.
2. Both Domini Social Equity Fund and Calvert Socially responsible Mutual Funds use both financial and social / environmental standards to evaluate companies. Domini's standards address all of a corporation's stakeholders: the customer, the employee, the community, the supplier, the shareholder, and the environment. According to Domini "Proper maintenance of this delicate network of relationship is critical to any company's long-term health." Accordingly, their standards "are designed to identify companies that we believe are moving in the right direction, and are well equipped to handle the significant challenges of the 21st century."
3. CERES or Coalition for Environmentally Responsible Economies is a non-profit established in the US in 1989, which sets forth 10 environmental principles for member organizations. Some of these principles have direct application to sustainability risk management, including reduction and disposal of wastes, risk reduction, and safe products and services. The titles of the 10 principles are:
 - Protection of the Biosphere
 - Sustainable Use of Natural Resources
 - Reduction and Disposal of Wastes
 - Energy Conservation
 - Risk Reduction
 - Safe Products and Services
 - Environmental Restoration
 - Informing the Public
 - Management Commitment
 - Audits and Reports
4. Global Reporting Initiative (GRI) developed through work done by CERES, the Tellus Institute, and the United Nations Environmental Programme (UNEP). Sustainability reporting Guidelines requires reporting to 11 principles and a list of 142 indicators of economic, environmental and social performance. This approach offers a comprehensive, balanced, and transparent account of a company's sustainability performance. GRI has invited public comments on its indicators. (Example: Nova Nordisk). GRI Guidelines were initially developed through the work of more than 10,000 stakeholders from more than 50 companies. GRI reporting is voluntary.
5. ICValue and Orie Loucks